

CITY OF KING COVE, ALASKA

Basic Financial Statements and
Supplementary Information

Year Ended June 30, 2013



CITY OF KING COVE, ALASKA

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Independent Auditor's Report

Honorable Mayor and City Council
City of King Cove, Alaska

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of King Cove, Alaska, as of and for the year ended June 30, 2013 and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of King Cove, Alaska, as of June 30, 2013, and the respective changes in financial position, and where applicable, cash flows, thereof for the year then ended in accordance with accounting principles general accepted in the United States of America.

Emphasis of Matter

Correction of Error

As discussed in Note 9 to the financial statements, in 2013, the City discovered certain errors connected with utility billing revenue and with the improper recording of prepaid insurance. Opening balance equity has been restated to correct for these errors. Our opinion is not modified with respect to this matter.

New Accounting Pronouncements

As discussed in Note 1 to the financial statements, in 2013 City of King Cove adopted the provisions of Governmental Accounting Standards Board (GASB) Statement number 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and the provisions of GASB Statement number 65, *Items Previously Reported as Assets and Liabilities*. These provisions have been retrospectively applied to all periods presented in these financial statements. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historic context. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 37-39 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Honorable Mayor and City Council
City of King Cove, Alaska

Other Supplementary Information

Our audit for the year ended June 30, 2013 was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of King Cove's basic financial statements. The accompanying supplementary information listed in the table of contents is presented for purposes of additional analysis and not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements for the year ended June 30, 2013 and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole for the year ended June 30, 2013.

City of King Cove's basic financial statements for the year ended June 30, 2012 (not presented herein), were audited by other auditors whose report thereon, dated February 1, 2013, before the restatement for the items mentioned above, expressed unmodified opinions on the respective financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information. The report of the other auditors dated February 1, 2013, stated that the individual fund financial statements and schedules for the year ended June 30, 2012 were subjected to the auditing procedures applied in the audit of the 2012 basic financial statements and certain additional auditing procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those basic financial statements or to those basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America and, in their opinion, were fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended June 30, 2012.

BDO USA, LLP

Anchorage, Alaska
December 5, 2013

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BASIC FINANCIAL STATEMENTS

CITY OF KING COVE, ALASKA

Statement of Net Position

June 30, 2013

<u>Assets</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Cash and investments	\$ 1,070,321	-	1,070,321
Receivables:			
Accounts	106,442	224,698	331,140
Sales taxes	305,375	-	305,375
Grants	17,706	-	17,706
Allowance for doubtful accounts	-	(34,400)	(34,400)
Internal balances	1,032,241	(1,032,241)	-
Inventories	-	116,388	116,388
Investment in Southwest Governments, LLC	118,136	-	118,136
Restricted cash - bond reserves	-	108,475	108,475
Capital assets, not being depreciated	523,739	63,545	587,284
Other capital assets, net of accumulated depreciation	<u>21,301,314</u>	<u>23,992,335</u>	<u>45,293,649</u>
Total assets	\$ <u>24,475,274</u>	<u>23,438,800</u>	<u>47,914,074</u>
<u>Liabilities</u>			
Accounts payable	120,458	15,083	135,541
Accrued payroll and related liabilities	60,986	20,039	81,025
Accrued interest payable	16,086	20,932	37,018
Unearned revenue	-	3,570	3,570
Noncurrent liabilities:			
Due within one year:			
Accrued leave	45,000	14,604	59,604
Bonds	-	150,765	150,765
Loans	38,437	-	38,437
Notes	19,309	-	19,309
Due in more than one year:			
Accrued leave	126,035	-	126,035
Bonds	-	1,834,124	1,834,124
Loans	1,314,311	-	1,314,311
Notes	27,033	-	27,033
Landfill closure	897,390	-	897,390
Unamortized bond premium	-	20,428	20,428
Total liabilities	<u>2,665,045</u>	<u>2,079,545</u>	<u>4,744,590</u>
<u>Net Position</u>			
Net investment in capital assets	20,425,963	22,050,563	42,476,526
Unrestricted (deficit)	<u>1,384,266</u>	<u>(691,308)</u>	<u>692,958</u>
Total net position	<u>21,810,229</u>	<u>21,359,255</u>	<u>43,169,484</u>
Total liabilities and net position	\$ <u>24,475,274</u>	<u>23,438,800</u>	<u>47,914,074</u>

See accompanying notes to basic financial statements.

CITY OF KING COVE, ALASKA

Statement of Activities
Year Ended June 30, 2013

		Program Revenues			Net (Expense) Revenue and Changes in Net Position		
Functions	Expenses	Fees, Fines & Charges for Services	Operating Grants & Contri- butions	Capital Grants & Contri- butions	Govern- mental Activities	Business- type Activities	Total
Governmental activities:							
General government	\$ 995,141	25,690	47,987	-	(921,464)	-	(921,464)
Public safety	590,041	4,150	26,096	-	(559,795)	-	(559,795)
Public works	1,226,184	-	23,412	78,950	(1,123,822)	-	(1,123,822)
Community services	1,151,825	140,449	16,597	-	(994,779)	-	(994,779)
Water and sewer	667,576	321,745	12,832	64,800	(268,199)	-	(268,199)
Solid waste	170,813	110,708	16,642	-	(43,463)	-	(43,463)
Total governmental activities	4,801,580	602,742	143,566	143,750	(3,911,522)	-	(3,911,522)
Business-type activities:							
Electric utility	1,473,740	1,308,482	16,213	-	-	(149,045)	(149,045)
Harbor and port	979,230	393,156	36,969	-	-	(549,105)	(549,105)
Fuel sales	1,049,373	918,029	2,882	-	-	(128,462)	(128,462)
Total business type activities	3,502,343	2,619,667	56,064	-	-	(826,612)	(826,612)
Total	\$ 8,303,923	3,222,409	199,630	143,750	(3,911,522)	(826,612)	(4,738,134)
General revenues:							
Sales and business impact taxes				\$	1,662,295	2,695	1,664,990
Grants and entitlements not restricted to a specific purpose					867,442	-	867,442
Investment income					89	-	89
Transfers					(17,500)	17,500	-
Total general revenues and transfers					2,512,326	20,195	2,532,521
Change in net position					(1,399,196)	(806,417)	(2,205,613)
Net position at beginning of year, restated					23,209,425	22,165,672	45,375,097
Net position at end of year					\$ 21,810,229	21,359,255	43,169,484

See accompanying notes to basic financial statements.

CITY OF KING COVE, ALASKA

Governmental Funds

Balance Sheet

June 30, 2013

<u>Assets</u>	<u>Major Funds</u>					<u>Total Govern- mental Funds</u>
	<u>General</u>	<u>Permanent Fund Special Revenue</u>	<u>Water and Sewer Special Revenue</u>	<u>General Capital Projects</u>	<u>Nonmajor Funds</u>	
Cash and investments	\$ -	656,190	-	181,761	232,370	1,070,321
Receivables:						
Accounts	9,900	-	72,765	-	23,777	106,442
Sales taxes	305,375	-	-	-	-	305,375
Grants	-	-	-	17,706	-	17,706
Advance to other funds	1,281,835	306,002	-	-	-	1,587,837
Investment in Southwest Governments, LLC	118,136	-	-	-	-	118,136
Total assets	\$ 1,715,246	962,192	72,765	199,467	256,147	3,205,817
 <u>Liabilities and Fund Balances (Deficits)</u>						
Liabilities:						
Accounts payable	62,498	-	5,605	49,383	2,972	120,458
Accrued payroll and related liabilities	49,786	-	3,076	-	8,124	60,986
Advance from other funds	-	-	433,231	-	122,365	555,596
Total liabilities	112,284	-	441,912	49,383	133,461	737,040
Fund balances (deficits):						
Nonspendable	1,399,971	306,002	-	-	-	1,705,973
Committed	-	656,190	-	-	-	656,190
Assigned	-	-	-	150,084	250,078	400,162
Unassigned (deficit)	202,991	-	(369,147)	-	(127,392)	(293,548)
Total fund balances (deficits)	1,602,962	962,192	(369,147)	150,084	122,686	2,468,777
Total liabilities and fund balances	\$ 1,715,246	962,192	72,765	199,467	256,147	3,205,817

See accompanying notes to basic financial statements.

CITY OF KING COVE, ALASKA

Reconciliation of Governmental Funds Balance Sheet
to Statement of Net Position
June 30, 2013

Total fund balances for governmental funds \$ 2,468,777

Total net position reported for governmental activities in the
Statement of Net Position is different because:

Capital assets used in governmental activities are not
financial resources and therefore are not reported
in the funds. These assets, net of accumulated
depreciation consist of:

Land and land improvements	\$ 414,390	
Construction in progress	109,349	
Buildings	4,171,730	
Improvements other than buildings	21,697,923	
Equipment	1,511,144	
Accumulated depreciation	<u>(6,079,483)</u>	
Total capital assets, net of depreciation		21,825,053

Long-term liabilities, including loans payable and
accrued leave, are not due and payable in the
current period and therefore are not reported
as fund liabilities. These liabilities consist of:

Loans payable	(1,352,748)	
Note payable	(46,342)	
Landfill closure costs payable	(897,390)	
Accrued interest payable	(16,086)	
Accrued leave	<u>(171,035)</u>	
Total long term liabilities		<u>(2,483,601)</u>

Total net position of governmental activities \$ 21,810,229

See accompanying notes to basic financial statements.

CITY OF KING COVE, ALASKA

Governmental Funds

Statement of Revenues, Expenditures and Changes in Fund Balances (Deficits)
Year Ended June 30, 2013

	Major Funds					Total Govern- mental Funds
	General	Permanent Fund Special Revenue	Water and Sewer Special Revenue	General Capital Projects	Nonmajor Funds	
Revenues:						
Sales and business impact taxes	\$ 1,662,295	-	-	-	-	1,662,295
Intergovernmental	983,985	-	6,416	8,130	12,477	1,011,008
Charges for services	81,063	-	321,745	-	174,244	577,052
Investment income	-	89	-	-	-	89
Other	185,690	-	-	143,750	-	329,440
Total revenues	<u>2,913,033</u>	<u>89</u>	<u>328,161</u>	<u>151,880</u>	<u>186,721</u>	<u>3,579,884</u>
Expenditures:						
Current:						
General government	741,320	-	-	3,050	-	744,370
Public safety	570,573	-	-	-	-	570,573
Public works	521,506	-	-	262,927	145,989	930,422
Community services	307,855	-	-	-	240,735	548,590
Water and sewer	-	-	285,283	109,860	-	395,143
Solid waste collection	-	-	-	-	128,832	128,832
Other	211,759	-	-	-	-	211,759
Debt service:						
Principal	-	-	40,464	-	-	40,464
Interest and other	-	-	52,511	-	-	52,511
Total expenditures	<u>2,353,013</u>	<u>-</u>	<u>378,258</u>	<u>375,837</u>	<u>515,556</u>	<u>3,622,664</u>
Excess of revenues over (under) expenditures	560,020	89	(50,097)	(223,957)	(328,835)	(42,780)
Other financing sources (uses):						
Proceeds from issuance of debt	-	-	-	-	46,342	46,342
Transfers in	-	220,000	20,000	75,000	310,000	625,000
Transfers out	(592,500)	(50,000)	-	-	-	(642,500)
Net other financing sources (uses)	<u>(592,500)</u>	<u>170,000</u>	<u>20,000</u>	<u>75,000</u>	<u>356,342</u>	<u>28,842</u>
Net change in fund balances	(32,480)	170,089	(30,097)	(148,957)	27,507	(13,938)
Beginning fund balances (deficit), restated	<u>1,635,442</u>	<u>792,103</u>	<u>(339,050)</u>	<u>299,041</u>	<u>95,179</u>	<u>2,482,715</u>
Ending fund balances (deficit)	\$ <u>1,602,962</u>	<u>962,192</u>	<u>(369,147)</u>	<u>150,084</u>	<u>122,686</u>	<u>2,468,777</u>

See accompanying notes to basic financial statements.

CITY OF KING COVE, ALASKA

Reconciliation of Change in Fund Balances of Governmental Funds
to Statement of Activities
Year Ended June 30, 2013

Net change in fund balances - total governmental funds \$ (13,938)

The change in net position reported for governmental activities
in the Statement of Activities is different because:

Governmental funds report capital outlays as expenditures. However
on the Statement of Activities, depreciation expense is recognized to
allocate the cost of these items over their estimated useful lives.
This is the amount by which depreciation (\$814,477) and loss on
disposals (\$640,000) exceeded capital outlay (\$154,464). (1,300,013)

The issuance of long-term debt provides current financial resources
to governmental funds, while the repayment of the principal of the
long-term debt consumes current financial resources of governmental
funds. Neither transaction, however, has any effect on net assets.

This is the increase (decrease) in:

Proceeds from new debt	\$ (46,342)	
Amount of principal paid	<u>40,464</u>	
		(5,878)

The governmental fund statements do not reflect the increase in long-term
liabilities that are not to be paid with current financial resources. This
is the amount of increase in the landfill closure liability. (35,896)

Some expenses reported in the statement of activities do not require the
use of current financial resources and, therefore, are not reported as
expenditures in governmental funds. This is the increase in:

Accrued interest payable	\$ (3,885)	
Accrued leave	<u>(39,586)</u>	
		(43,471)

Change in net position of governmental activities \$ (1,399,196)

CITY OF KING COVE, ALASKA

Enterprise Funds
Statement of Net Position
June 30, 2013

Assets	Major Funds			Total Enterprise Funds
	Electric	Harbor and Port	City Fuel	
Current assets:				
Receivables:				
Accounts	\$ 101,392	123,306	-	224,698
Allowance for doubtful accounts	(14,000)	(20,400)	-	(34,400)
Inventories	-	-	116,388	116,388
Total current assets	<u>87,392</u>	<u>102,906</u>	<u>116,388</u>	<u>306,686</u>
Restricted cash - bond reserves	-	108,475	-	108,475
Property, plant and equipment:				
Construction in progress	-	15,173	-	15,173
Land	48,372	-	-	48,372
Infrastructure	3,955,382	21,720,359	-	25,675,741
Improvements	723,045	-	871,489	1,594,534
Buildings	2,203,494	355,860	-	2,559,354
Equipment	4,907,717	907,482	-	5,815,199
Total property, plant and equipment	11,838,010	22,998,874	871,489	35,708,373
Less accumulated depreciation	<u>(5,256,374)</u>	<u>(6,178,249)</u>	<u>(217,870)</u>	<u>(11,652,493)</u>
Net property, plant and equipment	<u>6,581,636</u>	<u>16,820,625</u>	<u>653,619</u>	<u>24,055,880</u>
Total assets	\$ <u>6,669,028</u>	<u>17,032,006</u>	<u>770,007</u>	<u>24,471,041</u>
<u>Liabilities and Net Position</u>				
Liabilities:				
Current liabilities:				
Accounts payable	11,434	3,542	107	15,083
Accrued payroll and related liabilities	9,087	9,842	1,110	20,039
Accrued interest payable	3,271	17,661	-	20,932
Unearned revenue	3,570	-	-	3,570
Accrued leave	6,666	7,938	-	14,604
Current portion of revenue bonds	100,765	50,000	-	150,765
Total current liabilities	<u>134,793</u>	<u>88,983</u>	<u>1,217</u>	<u>224,993</u>
Long-term debt, net of current portion:				
Advance from other funds	454,085	356,025	222,131	1,032,241
Revenue bonds	734,124	1,100,000	-	1,834,124
Unamortized bond premium	-	20,428	-	20,428
Total liabilities	<u>1,323,002</u>	<u>1,565,436</u>	<u>223,348</u>	<u>3,111,786</u>
Net position:				
Net investment in capital assets	5,746,747	15,650,197	653,619	22,050,563
Unrestricted (deficit)	<u>(400,721)</u>	<u>(183,627)</u>	<u>(106,960)</u>	<u>(691,308)</u>
Total net position	<u>5,346,026</u>	<u>15,466,570</u>	<u>546,659</u>	<u>21,359,255</u>
Total liabilities and net position	\$ <u>6,669,028</u>	<u>17,032,006</u>	<u>770,007</u>	<u>24,471,041</u>

See accompanying notes to basic financial statements.

CITY OF KING COVE, ALASKA

Enterprise Funds

Statement of Revenues, Expenses and Changes in Net Position

Year Ended June 30, 2013

	Major Funds			Total Enterprise Funds
	<u>Electric</u>	<u>Harbor and Port</u>	<u>City Fuel</u>	
Operating revenues - charges for services	\$ <u>1,308,482</u>	<u>393,156</u>	<u>918,029</u>	<u>2,619,667</u>
Operating expenses:				
Salaries and benefits	245,906	285,664	36,529	568,099
Other purchased services and supplies	831,692	149,965	969,270	1,950,927
Depreciation	<u>304,454</u>	<u>483,372</u>	<u>43,574</u>	<u>831,400</u>
Total operating expenses	<u>1,382,052</u>	<u>919,001</u>	<u>1,049,373</u>	<u>3,350,426</u>
Loss from operations	(73,570)	(525,845)	(131,344)	(730,759)
Nonoperating revenues (expenses):				
Interest expense	(47,554)	(60,229)	-	(107,783)
Senior power subsidy	(44,134)	-	-	(44,134)
Sales tax	-	2,695	-	2,695
Interest rate subsidy	-	18,266	-	18,266
State PERS relief	<u>16,213</u>	<u>18,703</u>	<u>2,882</u>	<u>37,798</u>
Net nonoperating revenues (expenses)	<u>(75,475)</u>	<u>(20,565)</u>	<u>2,882</u>	<u>(93,158)</u>
Loss before transfers	<u>(149,045)</u>	<u>(546,410)</u>	<u>(128,462)</u>	<u>(823,917)</u>
Transfers in	-	87,500	-	87,500
Transfers out	<u>(60,000)</u>	<u>(10,000)</u>	<u>-</u>	<u>(70,000)</u>
Change in net position	(209,045)	(468,910)	(128,462)	(806,417)
Beginning net position	<u>5,555,071</u>	<u>15,935,480</u>	<u>675,121</u>	<u>22,165,672</u>
Ending net position	\$ <u>5,346,026</u>	<u>15,466,570</u>	<u>546,659</u>	<u>21,359,255</u>

See accompanying notes to basic financial statements.

CITY OF KING COVE, ALASKA

Enterprise Funds

Statement of Cash Flows

Year Ended June 30, 2013

	Major Funds			Total Enterprise Funds
	Electric	Harbor and Port	City Fuel	
Cash flows from operating activities:				
Receipts from customers and users	\$ 1,425,113	391,526	918,029	2,734,668
Payments to suppliers	(837,762)	(150,358)	(677,070)	(1,665,190)
Payments to employees	(229,103)	(264,108)	(34,926)	(528,137)
Net cash flows from operating activities	<u>358,248</u>	<u>(22,940)</u>	<u>206,033</u>	<u>541,341</u>
Cash flows from noncapital financing activities:				
Senior power subsidy	(44,134)	-	-	(44,134)
Increase (decrease) in advance from other funds	(107,957)	35,061	(206,033)	(278,929)
Interest rate subsidy	-	18,266	-	18,266
Transfers to other funds	(60,000)	(10,000)	-	(70,000)
Net cash flows from noncapital financing activities	<u>(212,091)</u>	<u>43,327</u>	<u>(206,033)</u>	<u>(374,797)</u>
Cash flows from capital and related financing activities:				
Purchase of capital assets	-	(2,040)	-	(2,040)
Principal payments on long-term debt	(96,262)	(50,000)	-	(146,262)
Interest payments on long-term debt	(49,895)	(55,805)	-	(105,700)
Transfers from other funds	-	87,500	-	87,500
Net cash flows from capital and related financing activities	<u>(146,157)</u>	<u>(20,345)</u>	<u>-</u>	<u>(166,502)</u>
Net increase (decrease) in cash and investments	-	42	-	42
Beginning cash and investments	-	108,433	-	108,433
Ending cash and investments	<u>\$ -</u>	<u>108,475</u>	<u>-</u>	<u>108,475</u>
Reconciliation of loss from operations to net cash provided (used) by operating activities:				
Loss from operations	(73,570)	(525,845)	(131,344)	(730,759)
Adjustments to reconcile income (loss) from operations to net cash flows from operating activities:				
Depreciation	304,454	483,372	43,574	831,400
Noncash expense				
PERS relief	16,213	18,703	2,882	37,798
Sales tax revenue	-	2,695	-	2,695
(Increase) decrease in assets:				
Accounts receivable (net)	115,716	(4,325)	-	111,391
Inventories	-	-	292,805	292,805
Increase (decrease) in liabilities:				
Accounts payable	(6,070)	(393)	(605)	(7,068)
Accrued payroll and related liabilities	463	(623)	(1,279)	(1,439)
Unearned revenue	915	-	-	915
Accrued leave	127	3,476	-	3,603
Net cash flows from operating activities	<u>\$ 358,248</u>	<u>(22,940)</u>	<u>206,033</u>	<u>541,341</u>

See accompanying notes to basic financial statements.

CITY OF KING COVE, ALASKA

Notes to Basic Financial Statements

June 30, 2013

(1) Summary of Significant Accounting Policies

Reporting Entity

The City of King Cove was incorporated in 1949 under the laws of the State of Alaska as a first-class city. The City operates under a council-administrator form of government and provides a full range of services to its citizens including public safety, streets, health and social services, electric, water and sewer, boat harbor, community projects, and general administration.

The financial statements included in this report are for the City of King Cove only. There are no component units for which the City of King Cove is financially accountable, nor do any special financial relationships exist between the City and any other entity.

The accounting policies of the City of King Cove conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the City. In general, the effect of interfund activity has been removed from these statements to minimize the double-counting of internal activities. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely primarily on fees and charges to external parties.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) fees, fines and charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

CITY OF KING COVE, ALASKA

Notes to Basic Financial Statements, continued

Summary of Significant Accounting Policies, continued

Measurement Focus, Basis of Accounting, and Financial Statement Presentation, continued

Governmental fund financial statements are reported using the current financial resources measurement focus and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days after year end. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only to the extent they have matured.

Sales and business impact taxes, charges for services, and investment income associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when received by the government.

The City reports the following major funds –

Major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be reported in another fund.

The *Permanent Fund Special Revenue Fund* accounts for monies set aside to help provide future benefits for public safety and welfare, specifically emergency needs or essential public service needs of the citizens of King Cove.

The *Water and Sewer Special Revenue Fund* accounts for the operation of the water and sewer system.

The *General Capital Projects Fund* accounts for non-enterprise related capital projects.

Major proprietary funds:

The *Electric Enterprise Fund* is used to account for the operations of the electric utility.

The *Harbor and Port Enterprise Fund* is used to account for the operations of the harbor and port.

The *City Fuel Enterprise Fund* is used to account for local fuel distribution services.

All of the funds listed as major meet accounting standards required quantitative criteria, except the Permanent Fund Special Revenue Fund which has been reported as major due to public interest.

CITY OF KING COVE, ALASKA

Notes to Basic Financial Statements, continued

Summary of Significant Accounting Policies, continued

Measurement Focus, Basis of Accounting, and Financial Statement Presentation, continued

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are allocated administration fees and charges between the enterprise funds and the various other funds and departments. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues. In addition, general revenues include all taxes, investment income, and State entitlement revenues.

Enterprise funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges to customers for sales and services. Operating expenses for the enterprise funds include the costs of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Central Treasury

A central treasury is used to account for cash from all funds of the City to maximize interest income.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the enterprise funds consider all cash accounts to be cash and cash equivalents. The central treasury, which holds cash and investments, is used essentially as a cash management pool by each fund.

Inventories

Inventories are valued at cost (first-in, first-out). The cost is recorded as an expenditure or expense at the time individual inventory items are consumed.

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the year are referred to as either "due to / from other funds" (i.e., the current portion of interfund loans) or "advances to / from other funds" (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "due to / from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

CITY OF KING COVE, ALASKA

Notes to Basic Financial Statements, continued

Summary of Significant Accounting Policies, continued

Grants and Other Intergovernmental Revenues

In applying the measurable and available concepts to grants and intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. There are, however, essentially two types of these revenues. In one, monies must be expended on the specific purpose or project before any amounts are considered "earned"; therefore, revenues are recognized based upon expenditures recorded. In the other, monies are virtually unrestricted as to purpose of expenditure and are usually revocable only for failure to comply with prescribed compliance requirements. These resources are reflected as revenues at the time of receipt or earlier if the measurable and available criteria are met.

Interfund Transactions

During the course of normal operations, the City has numerous transactions between funds, including expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as transfers. Operating subsidies are also recorded as transfers.

Compensated Absences

The City allows employees to accumulate earned but unused vacation and sick leave benefits. All vacation pay is accrued when earned in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental fund financial statements only if they have matured (e.g. the employee has terminated employment).

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, etc.) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. As a phase 3 government for GASB Statement 34 purposes, the City records additions to infrastructure capital assets (e.g. roads and streets) prospectively from the GASB Statement 34 implementation date, which was June 30, 2004. Capital assets are defined by the City as assets with an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

CITY OF KING COVE, ALASKA

Notes to Basic Financial Statements, continued

Summary of Significant Accounting Policies, continued

Capital Assets, continued

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the useful life of the asset are not capitalized.

Property, plant, and equipment of the City is depreciated using the straight line method over the following estimated useful lives:

Buildings	20-50 years
Improvements other than buildings	20-50 years
Service lines	20 years
Machinery and equipment	3-20 years

Long-Term Debt

In the government-wide and the proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method.

Fund Balances

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources. The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form—prepaid items or inventories; or (b) legally or contractually required to be maintained intact.

The spendable portion of fund balances comprises the remaining four classifications: restricted, committed, assigned, and unassigned.

Restricted fund balance. This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance. These amounts can only be used for specific purposes pursuant to constraints imposed by formal resolutions or ordinances of the City Council—the City's highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the City Council removes the specified use by taking the same type of action imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

CITY OF KING COVE, ALASKA

Notes to Basic Financial Statements, continued

Summary of Significant Accounting Policies, continued

Fund Balances, continued

Assigned fund balance. This classification reflects the amounts constrained by the City's "intent" to be used for specific purposes, but are neither restricted nor committed. The City Council has the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as nonspendable and are neither restricted nor committed.

Unassigned fund balance. This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

When both restricted and unrestricted resources are available for use, it is the City's policy to use externally restricted resources first, then unrestricted resources—committed, assigned, and unassigned—in order as needed.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for expenditures are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the General Fund and Special Revenue Funds. Any encumbrances outstanding at year end are reported as appropriate constraints of fund balances if they meet the definitions and criteria as outlined above.

Unearned Grant Revenue

Amounts received from grantor agencies, which are restricted as to use and have not been expended for the intended use are shown as unearned revenue.

Pension Plan

Substantially all employees of the City participate in the Public Employees' Retirement System (PERS) administered by the State of Alaska.

Comparative Data

Comparative data for the prior year have been presented in some of the accompanying financial statements in order to provide an understanding of changes in the City's financial position and operations.

CITY OF KING COVE, ALASKA

Notes to Basic Financial Statements, continued

Summary of Significant Accounting Policies, continued

Change in Accounting Principle

The City adopted newly issued Governmental Accounting Standards Board (GASB) pronouncements 63 and 65, resulting in a change in presentation of the government-wide and fund level financial statements. The new pronouncements require reporting two new categories of accounts. Certain items previously reported as assets are now categorized as deferred outflows of resources. A deferred outflow of resources represents the consumption of the government's net position or fund balance that is applicable to a future reporting period. Other items previously categorized as liabilities are now categorized as deferred inflows of resources. A deferred inflow of resources represents the acquisition of net position or fund balance that is applicable to a future reporting period. For example revenues that have been earned but are not yet available in the governmental funds are now reported as deferred inflows. In the government-wide financial statements the residual net of all of the accounts is now called net position. The adoption of these statements has no effect on previously reported net assets.

(2) **Stewardship, Compliance and Accountability**

Budgetary Accounting

The City follows these procedures in establishing the budgetary data reflected in the financial statements.

1. Prior to May 1, the City Administrator submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to June 30, the budget is legally enacted through passage of an ordinance.
4. The City Administrator is authorized to transfer budgeted amounts within departments; however, any revisions that alter the total expenditures of any fund or department within a fund must be approved by the City Council.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund and Special Revenue Funds. Appropriations for these funds lapse at year end to the extent they have not been expended or encumbered.
6. Budgets for governmental fund types are adopted on a basis consistent with accounting principles generally accepted in the United States of America.

Deficits

The following funds had deficit positions in fund balance at of June 30, 2013:

Special Revenue Funds:

Water and Sewer	\$ (369,147)
Housing and Community Projects	(127,392)

In addition the following Enterprise Funds had deficit equity in the unrestricted category:

Electric Utility	\$ (400,721)
Harbor and Port	(183,627)
City Fuel	(106,960)

CITY OF KING COVE, ALASKA

Notes to Basic Financial Statements, continued

Stewardship, Compliance and Accountability, continued

Compliance with Bond Covenants

The 1995 electric utility revenue bonds require that the City will establish, maintain and collect rates and charges for all services or facilities supplied by the system in each fiscal year that will provide net revenues in an amount equal to at least 1.1 times the amount of the annual debt service requirement for such year on all outstanding bonds and outstanding parity bonds.

Income from operations, excluding depreciation expense – amount available for debt service	\$ 230,884
Less debt service requirement of the 1995 revenue bonds x 1.1	<u>159,849</u>
Net revenue over debt service requirement	\$ <u>71,035</u>

As shown above, the City met the revenue requirement for the year ended June 30, 2013. In addition, certain covenants of the 1995 revenue bonds require the City to maintain reserve and redemption accounts. These requirements were not being met at June 30, 2013.

(3) **Cash and Investments**

Except for the Permanent Fund, all cash is maintained in a central treasury and is available for use by all funds. Each fund's portion of the central treasury is displayed on the balance sheet as "cash and investments" or in the case of "negative cash," is included in "due to other funds" or "advances to other funds." All of the City's cash is held in the form of demand accounts including checking, savings, short-term certificates of deposit, and overnight repurchase agreements held by commercial banks.

Reconciliation of Deposit and Investment Balances

A reconciliation of cash and investments as shown on the statement of net position follows:

Cash	\$ 274,940	Cash and investments	\$ 1,070,321
Pooled investments	<u>903,856</u>	Restricted cash	<u>108,475</u>
	\$ <u>1,178,796</u>		\$ <u>1,178,796</u>

Investment policy

The investment policy authorizes the City to invest in certificates of deposit, U.S. Treasury securities, government bonds and notes, money markets, mutual funds, and an investment pool authorized by Alaska Statutes. Investments are carried at fair value.

Interest rate risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates.

CITY OF KING COVE, ALASKA

Notes to Basic Financial Statements, continued

Cash and Investments, continued

Credit risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Pooled investments are invested with the Alaska Municipal League Investment Pool, Inc. (AMLIP). The AMLIP is an external investment pool which is rated AAAm for credit risk purposes. Alaska Statute 37.23 establishes regulatory oversight of the Pool. The law sets forth numerous requirements regarding authorized investments and reporting. The share value of investments in the AMLIP is approximately equal to fair value.

Custodial credit risk

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. To limit credit risk, City policy requires that all deposits be insured or covered by collateralization agreements.

(4) Investment in Southwest Governments, LLC

The City purchased a 10 percent ownership in Southwest Governments, LLC, an investment company formed to buy an office building in Anchorage, Alaska. The office building was purchased in May 2002 and is currently rented to outside parties, including the group that owns Southwest Governments, LLC. The City's investment in Southwest Governments, LLC, is recorded on the cost method.

(5) Capital Assets

Capital asset activity for the year ended June 30, 2013 was as follows:

	Balance July 1, 2012	Additions and Reclass- ifications	Deletions and Reclass- ifications	Balance June 30, 2013
<u>Governmental activities</u>				
<i>Capital assets not being depreciated -</i>				
Land	\$ 414,390	-	-	414,390
Construction in progress	-	109,349	-	109,349
Total assets not being depreciated	414,390	109,349	-	523,739
<i>Capital assets being depreciated:</i>				
Buildings	4,971,730	-	800,000	4,171,730
Improvements other than buildings	21,697,923	-	-	21,697,923
Equipment	1,466,029	45,115	-	1,511,144
Total assets being depreciated	28,135,682	45,115	800,000	27,380,797

CITY OF KING COVE, ALASKA

Notes to Basic Financial Statements, continued

Capital Assets, continued

	Balance July 1, <u>2012</u>	Additions and Reclass- ifications	Deletions and Reclass- ifications	Balance June 30, <u>2013</u>
<u>Governmental activities, continued</u>				
Less accumulated depreciation for:				
Buildings	\$ 1,667,281	159,593	160,000	1,666,874
Improvements other than buildings	2,755,260	584,946	-	3,340,206
Equipment	<u>1,002,465</u>	<u>69,938</u>	<u>-</u>	<u>1,072,403</u>
Total accumulated depreciation	<u>5,425,006</u>	<u>814,477</u>	<u>160,000</u>	<u>6,079,483</u>
 Total capital assets being depreciated, net	 <u>22,710,676</u>	 (769,362)	 <u>-</u>	 <u>21,301,314</u>
 Governmental activity capital assets, net	 \$ <u>23,125,066</u>	 (660,013)	 (640,000)	 <u>21,825,053</u>
<u>Business-type activities</u>				
Capital assets not being depreciated:				
Land	\$ 48,372	-	-	48,372
Construction in progress	<u>13,133</u>	<u>2,040</u>	<u>-</u>	<u>15,173</u>
Total assets not being depreciated	<u>61,505</u>	<u>2,040</u>	<u>-</u>	<u>63,545</u>
Capital assets being depreciated:				
Buildings	2,559,354	-	-	2,559,354
Improvements other than buildings	27,270,275	-	-	27,270,275
Equipment	<u>5,815,199</u>	<u>-</u>	<u>-</u>	<u>5,815,199</u>
Total assets being depreciated	<u>35,644,828</u>	<u>-</u>	<u>-</u>	<u>35,644,828</u>
Less accumulated depreciation for:				
Buildings	1,036,752	67,906	-	1,104,658
Improvements other than buildings	7,387,197	588,805	-	7,976,002
Equipment	<u>2,397,144</u>	<u>174,689</u>	<u>-</u>	<u>2,571,833</u>
Total accumulated depreciation	<u>10,821,093</u>	<u>831,400</u>	<u>-</u>	<u>11,652,493</u>
 Total capital assets being depreciated, net	 <u>24,823,735</u>	 (831,400)	 <u>-</u>	 <u>23,992,335</u>
 Business-type activity capital assets, net	 \$ <u>24,885,240</u>	 <u>829,360</u>	 <u>-</u>	 <u>24,055,880</u>

CITY OF KING COVE, ALASKA

Notes to Basic Financial Statements, continued

Capital Assets, continued

Depreciation expense was charged to the functions as follows:

Governmental activities

General government	\$ 5,458
Public safety	38,450
Public works	423,808
Water and sewer	216,037
Solid waste	6,085
Community services	<u>124,639</u>
Total depreciation expense - governmental activities	<u>\$ 814,477</u>

Business-type activities

Electric	\$ 304,454
City fuel	43,574
Boat harbor and port	<u>483,372</u>
Total depreciation expense - business-type activities	<u>\$ 831,400</u>

(6) **Interfund Receivables, Payables and Transfers**

A schedule of interfund balances, advances and transfers for the year ended June 30, 2013, follows:

Advances to other funds -

These are longer term and repayment terms have not been established.

Advance from General Fund to:

Electric Enterprise Fund	\$ 454,085
Harbor and Port Enterprise Fund	356,025
City Fuel Enterprise Fund	222,131
Housing and Community Projects Special Revenue Fund	122,365
Water and Sewer Special Revenue Fund	<u>127,229</u>
	1,281,835

Advance from Permanent Fund Special Revenue Fund to
Water and Sewer Special Revenue Fund

306,002

Total advances to other funds

\$ 1,587,837

CITY OF KING COVE, ALASKA

Notes to Basic Financial Statements, continued

Interfund Receivables, Payables and Transfers, continued

Transfers

From General Fund to:

Water and Sewer Special Revenue Fund for operating costs	\$ 20,000
Housing and Community Projects Special Revenue Fund for community projects	125,000
Permanent Fund Special Revenue Fund for future use	160,000
General Capital Projects Fund for capital projects	75,000
Vehicle and Machinery Replacement Capital Project Fund for equipment	125,000
Harbor and Port Enterprise Fund for capital projects	<u>87,500</u>
Total transfers from General Fund	592,500

Permanent Fund to Housing and Community Projects Special Revenue Fund for community projects	50,000
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Harbor and Port Enterprise Fund to the Solid Waste Collection Special Revenue Fund for equipment and operations	10,000
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Electric Enterprise Fund to the Permanent Fund Special Revenue Fund for equipment	<u>60,000</u>
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Total transfers to other funds	\$ <u>712,500</u>
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(7) Long - Term Debt

In May 2013, the City did major repair services to one of its forklifts. The work was performed prior to year end for a total cost of \$91,342. The City paid \$45,000 of this bill at the time of service and in August 2013, finalized an agreement with Caterpillar Financial to make payments on the remaining balance of \$46,342. Payment terms require monthly installments of \$1,931, without interest, for 24 months. This loan has been recorded in 2013 since the work performance was completed prior to year end.

The following is a summary of long-term debt transactions for the year ended June 30, 2013:

	Balance July 1, 2012	Additions	Retired	Balance June 30, 2013	Due Within One Year
<u>Governmental Activities</u>					
\$1,375,000 USDA water project loan, due in semi- annual installments of \$37,300 including interest through March 2040; interest at 4.5%	\$ 1,168,212	-	25,464	1,142,748	23,437

CITY OF KING COVE, ALASKA

Notes to Basic Financial Statements, continued

Long - Term Debt, continued

	Balance July 1, 2012	Additions	Retired	Balance June 30, 2013	Due Within One Year
<u>Governmental Activities, continued</u>					
\$300,000 Delta Creek water project loan, due in annual installments of \$15,000 plus interest through January 2027; interest at 1.5%	\$ 225,000	-	15,000	210,000	15,000
Catepillar Financial Services note payable, due in monthly installments of \$1,931 through August 2015	-	46,342	-	46,342	19,309
Landfill closure costs	861,494	35,896	-	897,390	-
Accrued leave	<u>131,449</u>	<u>83,109</u>	<u>43,523</u>	<u>171,035</u>	<u>45,000</u>
Total governmental activities	\$ <u>2,386,155</u>	<u>165,347</u>	<u>83,987-</u>	<u>2,467,515</u>	<u>102,746</u>
<u>Business-type Activities</u>					
\$1,961,500 1995 electric utility revenue bonds, due in semi-annual installments of \$72,656, including interest through May 2020; interest at 5.5%	\$ 931,151	-	96,262	834,889	100,765
\$745,000 Harbor revenue bond, due in annual installments of \$30,000 to \$50,000 through 2030; interest at 2.00% to 5.43%	720,000	-	30,000	690,000	30,000
\$500,000 Harbor revenue bond, due in annual installments of \$20,000 to \$35,000 through 2029; interest at 2.00% to 6.04%	480,000	-	20,000	460,000	20,000
Accrued leave	<u>11,001</u>	<u>24,265</u>	<u>20,662</u>	<u>14,604</u>	<u>14,604</u>
Total business-type activities	\$ <u>2,142,152</u>	<u>24,265</u>	<u>166,924</u>	<u>1,999,493</u>	<u>165,369</u>

CITY OF KING COVE, ALASKA

Notes to Basic Financial Statements, continued

Long - Term Debt, continued

The annual requirements to pay all general long-term debt outstanding (exclusive of accrued leave and landfill closure costs) as of June 30, 2013 are as follows:

Governmental activities

Year Ended June 30,	Water Loans			Forklift Note
	Principal	Interest	Total	Principal
2014	\$ 38,437	54,313	92,750	19,309
2015	39,504	53,021	92,525	23,172
2016	40,619	51,681	92,300	3,861
2017	41,784	50,291	92,075	-
2018	43,003	48,847	91,850	-
2019-2023	235,332	220,543	455,875	-
2024-2028	260,287	174,963	435,250	-
2029-2033	250,199	122,801	373,000	-
2034-2038	312,550	60,450	373,000	-
2039-2040	91,033	4,191	95,224	-
	<u>\$ 1,352,748</u>	<u>841,101</u>	<u>2,193,849</u>	<u>46,342</u>

Business-type activities

Year Ended June 30,	Electric Revenue Bond			Harbor Revenue Bonds			
	Principal	Interest	Total	Principal	Interest	Federal* Subsidy	Total
2014	\$ 100,765	44,552	145,317	50,000	54,854	(18,255)	86,599
2015	106,383	38,934	145,317	50,000	53,354	(18,254)	85,100
2016	112,315	33,002	145,317	50,000	51,704	(18,255)	83,449
2017	118,577	26,740	145,317	55,000	49,904	(18,254)	86,650
2018	125,188	20,129	145,317	60,000	47,666	(17,926)	89,740
2019-2023	271,661	18,928	290,589	310,000	199,264	(80,063)	429,201
2024-2028	-	-	-	365,000	115,392	(47,032)	433,360
2029-2031	-	-	-	210,000	18,019	(7,474)	220,545
	<u>\$ 834,889</u>	<u>182,285</u>	<u>1,017,174</u>	<u>1,150,000</u>	<u>590,157</u>	<u>(225,513)</u>	<u>1,514,644</u>

* The harbor revenue bonds were issued pursuant to Economic Recovery Zone legislation as part of the American Recovery and Reinvestment Act. Terms of the legislation allow for the Internal Revenue Service to rebate a portion of interest paid. The rebate is subject to annual appropriation by Congress. In 2013, as a result of delays in passing the federal budget, program participants were advised that future subsidy payments may be reduced through "sequestration." The rebate is recorded as revenue only upon receipt in these financial statements.

CITY OF KING COVE, ALASKA

Notes to Basic Financial Statements, continued

(8) **Municipal Landfill Closure and Post-closure Liability**

State and federal laws and regulations require the City to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. Although closure and post-closure care costs will be paid only near or after the date the landfill stops accepting waste, generally accepted accounting principles require that the City report a portion of these closure and post-closure care costs each period based on landfill capacity used as of each balance sheet date.

The \$897,390 (an increase of \$35,896 from June 30, 2012) reported as landfill closure costs payable at June 30, 2013, represents the cumulative amount reported to date based on a study conducted several years ago. The final closure costs may vary significantly from the above estimate.

At June 30, 2013, the City has not reserved or designated any fund balance to fund the cost of closure and post closure monitoring, nor have any assets been restricted for this purpose.

(9) **Prior Period Adjustment - Restatement**

In 2013, it was discovered that utility related revenues in the Water/Sewer and Solid Waste Collection Funds were under reported. These funds have increased opening fund balance in the amount of \$45,947 to correct for this error. In addition, it was discovered that an insurance vendor had incorrectly reported that the City had prepaid its health insurance premiums, resulting in an overstatement to prepaid assets in the General Fund. The General Fund has decreased beginning opening fund balance in the amount of \$61,730 to correct for this error. In the government wide financial statements, governmental activities beginning net position has been decreased in the amount of \$15,783 to correct for the net effect of these errors.

CITY OF KING COVE, ALASKA

Notes to Basic Financial Statements, continued

(10) **Fund Balances**

Fund balances reported in the City's individual major funds and nonmajor funds in the aggregate on the governmental funds balance sheet is subject to the following constraints:

	<u>General</u>	<u>Permanent Fund Special Revenue</u>	<u>Water and Sewer Special Revenue</u>	<u>General Capital Projects</u>	<u>Nonmajor Funds</u>	<u>Totals</u>
Nonspendable:						
Long-term advances	\$ 1,281,835	306,002	-	-	-	1,587,837
Investment in Southwest Governments, LLC	<u>118,136</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>118,136</u>
Total nonspendable	<u>1,399,971</u>	<u>306,002</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,705,973</u>
Committed – Permanent Fund	<u>-</u>	<u>656,190</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>656,190</u>
Assigned:						
Solid waste	-	-	-	-	73,773	73,773
Capital projects	-	-	-	150,084	-	150,084
Vehicle and machinery replacement	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>176,305</u>	<u>176,305</u>
Total assigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>150,084</u>	<u>250,078</u>	<u>400,162</u>
Unassigned (deficit)	<u>202,991</u>	<u>-</u>	<u>(369,147)</u>	<u>-</u>	<u>(127,392)</u>	<u>(293,548)</u>
Total fund balances	\$ <u>1,602,962</u>	<u>962,192</u>	<u>(369,147)</u>	<u>150,084</u>	<u>122,686</u>	<u>2,468,777</u>

(11) **Defined Benefit Pension Plan**

The City participates in the Public Employees' Retirement System (PERS). PERS is a cost-sharing multiple employer plan which covers eligible State and local government employees, other than teachers. The Plan was established and is administered by the State of Alaska Department of Administration to provide pension, postemployment healthcare, death, and disability benefits. Benefit and contribution provisions are established by State law and may be amended only by the State Legislature.

The Plan is included in a comprehensive annual financial report that includes financial statements and other required supplemental information. The report is available at the following address:

Department of Administration
Division of Retirement and Benefits
P.O. Box 110203
Juneau, Alaska 99811-0203

CITY OF KING COVE, ALASKA

Notes to Basic Financial Statements, continued

Defined Benefit Pension Plan, continued

Conversion to Cost Sharing

In April 2008, the Alaska Legislature passed legislation which converted the existing Public Employees Retirement System (PERS) from an agent-multiple employer plan to a cost-sharing plan with an effective date of July 1, 2008. Under the cost-sharing arrangement, the State of Alaska Division of Retirement and Benefits no longer tracks individual employer assets and liabilities. Rather, all plan costs and past service liabilities are shared among all participating employers.

That same year, the State of Alaska passed additional legislation which statutorily capped the employer contribution, established a state funded "on-behalf" contribution, and required that employer contributions be calculated against all PERS eligible wages, including wages attributable to the defined contribution plan described later in these footnotes.

Employee Contribution Rates

Regular employees are required to contribute 6.75% of their annual covered salary (2.97% for pension and 3.78% for healthcare). Police and firefighters are required to contribute 7.5% of their annual covered salary (3.29% for pension and 4.21% for healthcare).

Employer and Other Contribution Rates

There are three contribution rates associated with the pension and healthcare contributions and related liabilities:

Contractual Rate: This is the required funding rate for participating employers. The contractual rate is statutorily capped at 22% of eligible wages, subject to a wage floor, and other termination events. This 22% rate includes all PERS participating wages, including those wages attributable to employees in the defined contribution plan.

ARM Board Adopted Rate: This is the rate formally adopted by the Alaska Retirement Management Board. This rate is actuarially determined to calculate annual funding requirements of the Plan, without regard to the statutory rate cap. There are no constraints or restrictions on the actuarial cost method or other assumptions used in this valuation, other than those established and agreed to by the ARM Board.

Current legislation provides that the State of Alaska will contribute the difference between the ARM Board adopted rate and the contractual (statutory) rate. These additional contributions are recognized by each employer as an on-behalf payment and are reflected as revenue and expense/expenditure within the financial statements.

GASB 43 Rate: This is the rate used to determine the long-term pension and healthcare liability for plan accounting purposes in accordance with generally accepted accounting principles as established by GASB. Certain actuarial methods and assumptions for this rate calculation are mandated by GASB. For FY13, the rate uses an 8.00% pension discount rate and a 6.88% healthcare discount rate. Additionally, the GASB 43 rate disregards all future Medicare Part D payments.

CITY OF KING COVE, ALASKA

Notes to Basic Financial Statements, continued

Defined Benefit Pension Plan, continued

The GASB 43 rate differs significantly from the ARM Board adopted rate as a direct result of differences in the actuarial valuation methodology and assumptions.

Contribution rates for the year ended June 30, 2013 were determined as part of the June 30, 2010 actuarial valuation and are as follows:

	Contractual <u>Rate</u>	ARM Board Adopted <u>Rate</u>	GASB 43* <u>Rate</u>
Pension	9.67%	15.75%	24.95%
Postemployment healthcare	<u>12.33%</u>	<u>20.09%</u>	<u>39.93%</u>
Total contribution rate	<u>22.00%</u>	<u>35.84%</u>	<u>64.88%</u>

Annual Pension and Postemployment Healthcare Cost

The City is required to contribute 22% of covered payroll, subject to a wage floor. In addition, the State of Alaska contributed approximately 13.84% of covered payroll to the Plan. In accordance with the provisions of GASB Statement Number 24, the City has recorded the State on-behalf payment in the amount of \$154,341 as revenue and expense/expenditures in these financial statements. However, because the City is not statutorily obligated for these payments, this amount is excluded from pension and OPEB cost as described here.

Year Ended <u>June 30</u>	Annual Pension <u>Cost</u>	Annual OPEB <u>Cost</u>	Total Benefit Cost <u>(TBC)</u>	City Contri- butions	% of TBC <u>Contributed</u>
2013	\$ 86,187	\$ 105,339	\$ 191,526	\$ 191,526	100%
2012	85,934	104,646	190,580	190,580	100%
2011	66,519	119,903	186,422	186,422	100%

(12) **Defined Contribution Pension Plan**

The State of Alaska Legislature approved Senate Bill 141 to create the Public Employees' Retirement System (PERS) Tier IV for employees hired after July 1, 2006 or for employees converting from the PERS Tier I, II or III defined benefit plans. The Plan is administered by the State of Alaska, Department of Administration, and benefit and contribution provisions are established by State law and may be amended only by the State Legislature. The Alaska Retirement Management Board may also amend contribution requirements. Included in the Plan are individual pension accounts, retiree medical insurance plan and a separate Health Reimbursement Arrangement account that will help retired members pay medical premiums and other eligible medical expenses not covered by the medical plan. Employees are required to contribute 8.0% of their annual covered salary, and the City is required to make the following contributions:

CITY OF KING COVE, ALASKA

Notes to Basic Financial Statements, continued

Defined Contribution Pension Plan, continued

	Others <u>Tier IV</u>	Police/Fire <u>Tier IV</u>
Individual account	5.00%	5.00%
Retiree medical plan	0.48	0.48
Occupational death and disability benefits	<u>0.14</u>	<u>0.99</u>
	<u>5.62 %</u>	<u>6.47%</u>

In addition, the employer must contribute to the Health Reimbursement Arrangement. AS 39.30.370 establishes this contribution amount as "three percent of the average annual employee compensation of *all employees of all employers* in the plan". As of July 1, 2012, for actual remittance, this amount is calculated as a flat rate for each full time or part-time employee per pay period and approximates \$1,848 per year for each full-time employee, and \$1.18 per hour for part-time employees.

Employees are immediately vested in their own contributions and vest 25% per year in employer contributions. The City and employee contributions to PERS including the HRA contribution for the year ended June 30, 2013 were \$53,215 and \$40,311, respectively.

(13) Deferred Compensation Plan

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan, available to all employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The provisions of the Plan require that all assets and income of the Plan be held in trust for the exclusive benefit of participants and their beneficiaries.

(14) Permanent Fund

City Code 5.05.225 established a capital reserve account (Permanent Fund). It is the City's intent in establishing this fund that it be used to purchase new equipment, replace existing equipment, or make major repairs to existing equipment or facilities so the City has adequate capital facilities and equipment to provide the public services it delivers. In addition, the fund can be used for the public safety and welfare of residents of the City if emergency needs exist.

CITY OF KING COVE, ALASKA

Notes to Basic Financial Statements, continued

(15) **Risk Management**

The City faces a considerable number of risks of loss, including (a) damage to and loss of property and contents, (b) employee torts, (c) professional liability; i.e., errors and omissions, (d) environmental damage, (e) workers' compensation; i.e., employee injuries, and (f) medical insurance costs of employees. Commercial policies transferring the risk of loss, except for relatively small deductible amounts, are purchased for employee medical costs. The City participates in the Alaska Municipal League Joint Insurance Association (AML/JIA) which provides insurance coverage for property and contents damage, torts, general and automobile liability, and worker's compensation. The AML/JIA is a public entity risk pool organized to share risks among its members. The Association's bylaws provide for the assessment of supplemental contributions from members in the event that losses and expenses for any coverage year exceed the annual contributions and income earned on such contributions for the year. Such supplemental contributions shall be based on each member's annual deposit contribution in comparison to the aggregate annual deposit contributions of all members. The Association made no supplemental assessments during the year ended June 30, 2013. Coverage limits and the deductibles on the policies have stayed relatively constant for the last several years. Claims incurred have not exceeded coverage limits for the last three years.

(16) **Contingent Liabilities**

The City participates in a number of State and federally assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

(17) **New Accounting Pronouncements**

The Governmental Accounting Standards Board has passed several new accounting standards with upcoming implementation dates. Management has not fully evaluated the potential effects of these statements, but believes that GASB Statement 68 will result in the biggest reporting change. Actual impacts have not yet been determined:

GASB 66 – Technical Corrections – 2012 – Effective for year-end June 30, 2014 – This statement contains certain technical corrections to prior GASB statements on the topics of Risk Financing, Operating Leases, Loan Purchases, and Servicing Fees.

GASB 67 – Financial Reporting for Pension Plans – Effective for year-end June 30, 2014 – This statement changes the reporting and disclosure requirements for government Pension Plans. This statement modifies the Plan-side reporting.

GASB 68 – Accounting and Financial Reporting for Pensions – Effective for year-end June 30, 2015 – This statement changes the reporting and disclosure requirements for governments that participate in pension plans. This statement modifies the participating employer side reporting in connection with the Plan side reporting at GASB 67.

CITY OF KING COVE, ALASKA

Notes to Basic Financial Statements, continued

New Accounting Pronouncements, continued

GASB 69 – Government Combinations and Disposals of Government Operations – Effective for year-end June 30, 2015 – This statement contains certain disclosures to be made about government combinations and disposals of government operations to enable financial statement users to evaluate the nature and effects of these transactions.

GASB 70 – Accounting and Financial Reporting for Nonexchange Financial Guarantees – Effective for year-end June 30, 2014 – This statement contains reporting requirements when a government financially guarantees the obligations of another government, non-profit, or private entity without receiving equal value in exchange.

(18) **Subsequent Event**

Subsequent to June 30, 2013, the City authorized the sale of electric utility revenue bonds, not to exceed \$3.1 million, for electric utility improvements.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF KING COVE, ALASKA
General Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
Year Ended June 30, 2013

	<u>Budget</u>			<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Final Budget</u>
Revenues:				
Taxes	\$ 1,650,000	1,650,000	1,662,295	12,295
Intergovernmental	871,000	922,971	983,985	61,014
Charges for services	84,500	84,500	81,063	(3,437)
Other	175,000	170,000	185,690	15,690
Total revenues	<u>2,780,500</u>	<u>2,827,471</u>	<u>2,913,033</u>	<u>85,562</u>
Expenditures:				
General government	682,445	694,544	741,320	(46,776)
Public safety	537,394	538,994	570,573	(31,579)
Public works	498,995	485,684	521,506	(35,822)
Community services	299,954	301,296	307,855	(6,559)
Other	138,250	153,750	211,759	(58,009)
Total expenditures	<u>2,157,038</u>	<u>2,174,268</u>	<u>2,353,013</u>	<u>(178,745)</u>
Excess of revenues over expenditures	623,462	653,203	560,020	(93,183)
Other financing uses - transfers out	<u>(642,500)</u>	<u>(592,500)</u>	<u>(592,500)</u>	<u>-</u>
Net change in fund balance	\$ <u>(19,038)</u>	<u>60,703</u>	(32,480)	<u>(93,183)</u>
Beginning fund balance, restated			<u>1,635,442</u>	
Ending fund balance		\$ <u>1,602,962</u>		

CITY OF KING COVE, ALASKA
 Permanent Fund Special Revenue Fund
 Schedule of Revenues, Expenditures and
 Changes in Fund Balance - Budget and Actual
 Year Ended June 30, 2013

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues - investment income	\$ -	-	89	89
Excess of revenues over expenditures	-	-	89	89
Other financing sources (uses):				
Transfers in	190,000	190,000	220,000	30,000
Transfers out	(50,000)	(50,000)	(50,000)	-
Net other financing sources (uses)	<u>140,000</u>	<u>140,000</u>	<u>170,000</u>	<u>30,000</u>
Net change in fund balance	\$ <u>140,000</u>	<u>140,000</u>	170,089	<u>30,089</u>
Beginning fund balance			<u>792,103</u>	
Ending fund balance			\$ <u>962,192</u>	

CITY OF KING COVE, ALASKA
 Water and Sewer Special Revenue Fund
 Schedule of Revenues, Expenditures and
 Changes in Fund Deficit - Budget and Actual
 Year Ended June 30, 2013

	<u>Budget</u>			<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Final Budget</u>
Revenues- charges for services	\$ 360,100	332,100	328,161	(3,939)
Expenditures:				
Current:				
Water	226,388	218,268	221,593	(3,325)
Sewer	51,184	62,900	63,690	(790)
Debt service:				
Principal	52,080	52,080	40,464	11,616
Interest	59,720	59,720	52,511	7,209
Total expenditures	389,372	392,968	378,258	14,710
Excess of revenues over (under) expenditures	(29,272)	(60,868)	(50,097)	10,771
Other financing sources - transfers in	20,000	20,000	20,000	-
Net change in deficit	\$ (9,272)	(40,868)	(30,097)	10,771
Beginning deficit			(339,050)	
Ending deficit			\$ (369,147)	

SUPPLEMENTARY INFORMATION

CITY OF KING COVE, ALASKA

Nonmajor Governmental Funds

Combining Balance Sheet

June 30, 2013

<u>Assets</u>	<u>Special Revenue Funds</u>		<u>Capital Project</u>	<u>Total Nonmajor Governmental Funds</u>
	<u>Solid Waste Collection</u>	<u>Housing and Community Projects</u>	<u>Vehicle and Machinery Replacement</u>	
Cash and investments	\$ 53,577	-	178,793	232,370
Accounts receivable	<u>23,777</u>	<u>-</u>	<u>-</u>	<u>23,777</u>
Total assets	\$ <u>77,354</u>	<u>-</u>	<u>178,793</u>	<u>256,147</u>
<u>Liabilities and Fund Balances</u>				
Liabilities:				
Accounts payable	285	199	2,488	2,972
Accrued payroll and related liabilities	3,296	4,828	-	8,124
Advance from other funds	<u>-</u>	<u>122,365</u>	<u>-</u>	<u>122,365</u>
Total liabilities	<u>3,581</u>	<u>127,392</u>	<u>2,488</u>	<u>133,461</u>
Fund balances (deficits):				
Assigned:				
Solid waste collection	73,773	-	-	73,773
Vehicle and machinery replacement	-	-	176,305	176,305
Unassigned (deficit)	<u>-</u>	<u>(127,392)</u>	<u>-</u>	<u>(127,392)</u>
Total fund balances (deficits)	<u>73,773</u>	<u>(127,392)</u>	<u>176,305</u>	<u>122,686</u>
Total liabilities and fund balances	\$ <u>77,354</u>	<u>-</u>	<u>178,793</u>	<u>256,147</u>

CITY OF KING COVE, ALASKA

Nonmajor Governmental Funds

Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Deficits)

Year Ended June 30, 2013

	<u>Special Revenue Funds</u>			<u>Capital Project</u>	<u>Total</u>
	<u>Solid</u>	<u>Housing</u>	<u>Izembek</u>	<u>Vehicle and</u>	<u>Nonmajor</u>
	<u>Waste</u>	<u>and</u>	<u>Land</u>	<u>Machinery</u>	<u>Govern-</u>
	<u>Collection</u>	<u>Community</u>	<u>Exchange</u>	<u>Replace-</u>	<u>mental</u>
		<u>Projects</u>		<u>ment</u>	<u>Funds</u>
Revenues:					
Intergovernmental	\$ 8,321	3,622	534	-	12,477
Charges for services	110,708	63,536	-	-	174,244
Total revenues	<u>119,029</u>	<u>67,158</u>	<u>534</u>	<u>-</u>	<u>186,721</u>
Expenditures:					
Public works	-	-	-	145,989	145,989
Community services	-	240,201	534	-	240,735
Solid waste collection	128,832	-	-	-	128,832
Total expenditures	<u>128,832</u>	<u>240,201</u>	<u>534</u>	<u>145,989</u>	<u>515,556</u>
Excess of revenues over (under) expenditures	(9,803)	(173,043)	-	(145,989)	(328,835)
Other financing sources:					
Proceeds from issuance of debt	-	-	-	46,342	46,342
Transfers in	10,000	175,000	-	125,000	310,000
Total other financing sources	<u>10,000</u>	<u>175,000</u>	<u>-</u>	<u>171,342</u>	<u>356,342</u>
Net change in fund balances	197	1,957	-	25,353	27,507
Beginning fund balances (deficits), restated	<u>73,576</u>	<u>(129,349)</u>	<u>-</u>	<u>150,952</u>	<u>95,179</u>
Ending fund balances (deficits)	<u>\$ 73,773</u>	<u>(127,392)</u>	<u>-</u>	<u>176,305</u>	<u>122,686</u>

CITY OF KING COVE, ALASKA

General Fund

Balance Sheet

June 30, 2013

With Comparative Amounts for 2012

	<u>Assets</u>	<u>2013</u>	<u>2012</u> <u>Restated</u>
Receivables:			
Accounts		\$ 9,900	10,850
Sales taxes		<u>305,375</u>	<u>242,674</u>
Total receivables		<u>315,275</u>	<u>253,524</u>
Advance to other funds		1,281,835	1,378,990
Investment in Southwest Governments, LLC		<u>118,136</u>	<u>118,136</u>
Total assets		\$ <u>1,715,246</u>	<u>1,750,650</u>
<u>Liabilities and Fund Balance</u>			
Liabilities:			
Accounts payable		62,498	54,522
Accrued payroll and related liabilities		<u>49,786</u>	<u>60,686</u>
Total liabilities		<u>112,284</u>	<u>115,208</u>
Fund balances:			
Nonspendable:			
Advance to other funds		1,281,835	1,378,990
Investment in Southwest Governments, LLC		118,136	118,136
Unassigned		<u>202,991</u>	<u>138,316</u>
Total fund balances		<u>1,602,962</u>	<u>1,635,442</u>
Total liabilities and fund balance		\$ <u>1,715,246</u>	<u>1,750,650</u>

CITY OF KING COVE, ALASKA

General Fund

Schedule of Revenues, Expenditures and Changes

in Fund Balance - Budget and Actual

Year Ended June 30, 2013

With Comparative Amounts for 2012

	<u>2013</u>			<u>2012</u>
	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>Restated Actual</u>
Revenues:				
Taxes:				
Sales tax	\$ 1,550,000	1,562,295	12,295	1,663,106
Business impact tax	<u>100,000</u>	<u>100,000</u>	<u>-</u>	<u>100,000</u>
Total taxes	<u>1,650,000</u>	<u>1,662,295</u>	<u>12,295</u>	<u>1,763,106</u>
Intergovernmental:				
Aleutians East Borough -				
2012 Economic Development Grant	-	-	-	150,000
Federal funding passed through local entity:				
IRR Roads	50,000	71,331	21,331	-
State of Alaska:				
Shared fisheries business tax	521,585	521,585	-	437,823
State PERS relief	50,000	98,184	48,184	78,606
State revenue sharing	200,000	201,529	1,529	190,177
State liquor license	4,000	1,500	(2,500)	4,000
Extraterritorial fish tax	47,386	47,386	-	55,700
State of Alaska PCE	<u>50,000</u>	<u>42,470</u>	<u>(7,530)</u>	<u>49,109</u>
Total intergovernmental	<u>922,971</u>	<u>983,985</u>	<u>61,014</u>	<u>965,415</u>
Charges for services:				
Public safety revenue	4,500	4,150	(350)	2,195
Co-op and teen center revenue	39,000	24,892	(14,108)	29,412
Recreational programs	<u>41,000</u>	<u>52,021</u>	<u>11,021</u>	<u>58,822</u>
Total charges for services	<u>84,500</u>	<u>81,063</u>	<u>(3,437)</u>	<u>90,429</u>
Other revenues - miscellaneous	<u>170,000</u>	<u>185,690</u>	<u>15,690</u>	<u>11,363</u>
Total revenues	<u>2,827,471</u>	<u>2,913,033</u>	<u>85,562</u>	<u>2,830,313</u>

CITY OF KING COVE, ALASKA

General Fund

Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual, continued

	2013			2012
	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>Restated Actual</u>
Expenditures:				
General government:				
City Council:				
Salaries	\$ 7,200	6,900	300	7,300
Employee benefits	55,000	65,360	(10,360)	74,701
Travel and per diem	4,000	3,767	233	-
Dues and fees	2,400	2,381	19	2,131
Insurance	-	-	-	24
Total City Council	<u>68,600</u>	<u>78,408</u>	<u>(9,808)</u>	<u>84,156</u>
Planning:				
Salaries	40,400	40,535	(135)	36,745
Stipends	2,000	1,550	450	500
Employee benefits	11,050	13,127	(2,077)	14,790
Contract labor	5,000	205	4,795	-
Insurance	1,306	1,306	-	1,210
Deferred compensation	1,470	1,200	270	1,418
Total planning	<u>61,226</u>	<u>57,923</u>	<u>3,303</u>	<u>54,663</u>
Administration:				
Salaries	122,420	122,406	14	116,257
Employee benefits	63,406	74,695	(11,289)	77,129
Contract labor	-	-	-	1,055
Travel and per diem	5,500	5,276	224	4,125
Telephone	7,000	6,626	374	7,393
Postage	4,000	3,287	713	4,751
Supplies	9,000	10,463	(1,463)	11,724
Utilities - diesel	4,500	4,461	39	4,512
Utilities - electric	2,000	1,958	42	1,899
Dues and fees	4,500	4,235	265	3,263
Insurance	5,224	5,224	-	5,349
Deferred compensation	3,000	3,000	-	3,000
Total administration	<u>230,550</u>	<u>241,631</u>	<u>(11,081)</u>	<u>240,457</u>

CITY OF KING COVE, ALASKA

General Fund

Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual, continued

	2013			2012
	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>Restated Actual</u>
Expenditures, continued:				
General government, continued:				
Anchorage office:				
Salaries	\$ 170,000	187,992	(17,992)	121,398
Employee benefits	34,650	39,449	(4,799)	41,859
Contract labor	60,000	67,059	(7,059)	53,616
Travel and per diem	30,000	27,902	2,098	18,469
Telephone	5,500	6,286	(786)	6,322
Postage	250	184	66	251
Supplies	7,500	7,535	(35)	9,473
Rent	15,000	15,472	(472)	14,274
Dues and fees	2,500	2,811	(311)	3,850
Insurance	3,918	3,918	-	3,703
Miscellaneous	500	400	100	-
Deferred compensation	4,350	4,350	-	4,821
Total Anchorage office	<u>334,168</u>	<u>363,358</u>	<u>(29,190)</u>	<u>278,036</u>
Total general government	<u>694,544</u>	<u>741,320</u>	<u>(46,776)</u>	<u>657,312</u>
Public safety:				
Salaries	213,485	224,312	(10,827)	210,609
Employee benefits	100,986	126,120	(25,134)	143,303
Stipends	10,000	6,550	3,450	9,670
Contract labor	95,945	95,945	-	90,000
Travel and per diem	2,500	2,334	166	2,119
Telephone	12,000	10,471	1,529	10,142
Supplies	27,500	26,991	509	25,919
Postage	1,500	1,016	484	1,992
Utilities - diesel	8,900	8,295	605	9,438
Utilities - electric	6,700	6,456	244	6,598
Dues and fees	1,500	1,438	62	1,000
Insurance	26,118	26,118	-	24,685
Fuel	15,000	16,956	(1,956)	17,200
Miscellaneous	860	860	-	-
Animal control	10,000	10,711	(711)	9,968
Deferred compensation	6,000	6,000	-	6,000
Total public safety	<u>538,994</u>	<u>570,573</u>	<u>(31,579)</u>	<u>568,643</u>

CITY OF KING COVE, ALASKA

General Fund

Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual, continued

	2013			2012
	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>Restated Actual</u>
Expenditures, continued:				
Public works:				
Salaries	\$ 210,000	210,700	(700)	181,685
Employee benefits	95,000	113,148	(18,148)	107,059
Travel and per diem	3,000	2,746	254	5,005
Telephone	3,800	3,330	470	3,023
Supplies	75,000	90,674	(15,674)	56,685
Utilities - electric	30,000	29,747	253	32,465
Insurance	27,424	27,424	-	25,919
Fuel - gas	7,500	9,431	(1,931)	6,443
Fuel - diesel	30,000	31,344	(1,344)	25,239
Advertising	-	-	-	350
Miscellaneous	860	860	-	1,250
Deferred compensation	3,100	2,102	998	2,590
Total public works	<u>485,684</u>	<u>521,506</u>	<u>(35,822)</u>	<u>447,713</u>
Community services - recreational programs:				
Salaries	105,000	99,892	5,108	108,274
Employee benefits	33,685	42,624	(8,939)	52,397
Telephone	5,200	5,121	79	4,346
Supplies	45,000	45,878	(878)	39,404
Utilities - diesel	65,000	66,416	(1,416)	109,781
Utilities - electric	34,000	34,765	(765)	32,056
Dues and fees	500	325	175	2,495
Insurance	9,141	9,141	-	8,640
Fuel - gas	1,500	1,463	37	1,513
Miscellaneous	2,170	2,170	-	-
Bank fees	100	60	40	60
Total community services	<u>301,296</u>	<u>307,855</u>	<u>(6,559)</u>	<u>358,966</u>

CITY OF KING COVE, ALASKA

General Fund

Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual, continued

	2013			2012
	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>Restated Actual</u>
Expenditures, continued:				
Other:				
Audit and accounting assistance	\$ 37,000	38,396	(1,396)	42,324
Legal	15,000	12,654	2,346	18,813
Elections	750	750	-	600
Senior citizen power subsidy	45,000	44,134	866	51,202
Bank fees	16,000	16,174	(174)	15,923
Donations	15,000	15,427	(427)	5,702
Aleutia grant expenditures	-	66,367	(66,367)	86,999
Miscellaneous	25,000	17,857	7,143	1,013
Total other	<u>153,750</u>	<u>211,759</u>	<u>(58,009)</u>	<u>222,576</u>
Total expenditures	<u>2,174,268</u>	<u>2,353,013</u>	<u>(178,745)</u>	<u>2,255,210</u>
Excess of revenues over expenditures	653,203	560,020	(93,183)	575,103
Other financing uses - transfers to:				
Special Revenue Funds:				
Water and Sewer	(20,000)	(20,000)	-	(20,000)
Housing and Community Projects	(125,000)	(125,000)	-	(100,000)
Permanent Fund	(160,000)	(160,000)	-	(100,000)
Capital Project Funds:				
General Capital Projects	(75,000)	(75,000)	-	(175,000)
Vehicle and Machinery Replacement	(125,000)	(125,000)	-	(100,000)
Harbor and Port Enterprise Fund	(87,500)	(87,500)	-	(82,000)
Total other financing uses	<u>(592,500)</u>	<u>(592,500)</u>	<u>-</u>	<u>(577,000)</u>
Net change in fund balance	\$ <u>60,703</u>	(32,480)	<u>(93,183)</u>	(1,897)
Beginning fund balance		<u>1,635,442</u>		<u>1,637,339</u>
Ending fund balance	\$	<u>1,602,962</u>		<u>1,635,442</u>

CITY OF KING COVE, ALASKA
Solid Waste Collection Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
Year Ended June 30, 2013
With Comparative Amounts for 2012

	<u>2013</u>			<u>2012</u>
	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>	Restated <u>Actual</u>
Revenues:				
Collection fees	\$ 56,000	62,491	6,491	59,810
Collection fees - Peter Pan Seafoods	50,000	48,118	(1,882)	44,132
State PERS relief	4,000	8,321	4,321	5,729
Finance charges	100	99	(1)	63
Total revenues	<u>110,100</u>	<u>119,029</u>	<u>8,929</u>	<u>109,734</u>
Expenditures:				
Salaries	65,000	67,434	(2,434)	56,160
Employee benefits	33,000	42,227	(9,227)	34,161
Supplies	7,000	7,439	(439)	9,972
Equipment	10,000	-	10,000	6,547
Insurance	7,836	7,836	-	7,405
Fuel - diesel	3,600	3,806	(206)	3,338
Deferred compensation	150	90	60	107
Total expenditures	<u>126,586</u>	<u>128,832</u>	<u>(2,246)</u>	<u>117,690</u>
Excess of revenues over (under) expenditures	(16,486)	(9,803)	6,683	(7,956)
Other financing sources - transfers from Harbor and Port Enterprise Fund	<u>10,000</u>	<u>10,000</u>	<u>-</u>	<u>10,000</u>
Net change in fund balance	\$ <u>(6,486)</u>	197	<u>6,683</u>	2,044
Beginning fund balance, restated		<u>73,576</u>		<u>71,532</u>
Ending fund balance	\$	<u>73,773</u>		<u>73,576</u>

CITY OF KING COVE, ALASKA

Housing and Community Projects Special Revenue Fund
 Schedule of Revenues, Expenditures and Changes in
 Fund Balance - Budget and Actual
 Year Ended June 30, 2013
 With Comparative Amounts for 2012

	<u>2013</u>			<u>2012</u>
	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>Actual</u>
Revenues:				
Housing rental	\$ 23,000	20,417	(2,583)	19,600
Gravel sales	2,500	2,158	(342)	2,419
Space rental	-	-	-	2,007
Equipment rental	25,000	23,131	(1,869)	4,475
State PERS relief	-	3,622	3,622	-
Other	25,000	17,830	(7,170)	11,504
Total revenues	<u>75,500</u>	<u>67,158</u>	<u>(8,342)</u>	<u>40,005</u>
Expenditures - community services:				
Salaries	22,000	28,521	(6,521)	26,856
Employee benefits	11,000	18,380	(7,380)	13,878
Contract labor	-	18,570	(18,570)	-
Supplies	75,000	142,523	(67,523)	109,694
Utilities - heat	16,000	16,192	(192)	14,154
Utilities - electric	15,000	14,709	291	10,441
Insurance	1,306	1,306	-	1,234
Deferred compensation	350	-	350	237
Total expenditures	<u>140,656</u>	<u>240,201</u>	<u>(99,545)</u>	<u>176,494</u>
Excess of revenues over (under) expenditures	(65,156)	(173,043)	(107,887)	(136,489)
Other financing sources - transfers from:				
General Fund	125,000	125,000	-	100,000
Permanent Fund	50,000	50,000	-	-
Total other financing sources	<u>175,000</u>	<u>175,000</u>	<u>-</u>	<u>100,000</u>
Net change in deficit	\$ <u>109,844</u>	1,957	<u>(107,887)</u>	(36,489)
Beginning deficit		<u>(129,349)</u>		<u>(92,860)</u>
Ending deficit	\$	<u>(127,392)</u>		<u>(129,349)</u>

CITY OF KING COVE, ALASKA

Izembek Land Exchange EIS #2 Special Revenue Fund
 Schedule of Revenues, Expenditures and Changes in
 Fund Balance - Budget and Actual
 Year Ended June 30, 2013

		Actual			
	<u>Budget</u>	<u>Prior Year</u>	<u>Current Year</u>	<u>Total</u>	<u>Variance</u>
Revenues - intergovernmental	\$ <u>300,000</u>	<u>299,466</u>	<u>534</u>	<u>300,000</u>	<u>-</u>
Expenditures - community services:					
Salaries	40,229	41,049	-	41,049	(820)
Employee benefits	3,262	3,140	-	3,140	122
Contract labor	242,917	161,708	534	162,242	80,675
Engineering	<u>13,592</u>	<u>93,569</u>	<u>-</u>	<u>93,569</u>	<u>(79,977)</u>
Total expenditures	<u>300,000</u>	<u>299,466</u>	<u>534</u>	<u>300,000</u>	<u>-</u>
Net change in fund balance	\$ <u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Beginning fund balance			<u>-</u>		
Ending fund balance			\$ <u>-</u>		

CITY OF KING COVE, ALASKA
 Permanent Fund Special Revenue Fund
 Schedule of Revenues, Expenditures and Changes in
 Fund Balance - Budget and Actual
 Year Ended June 30, 2013
 With Comparative Amounts for 2012

	<u>2013</u>			<u>2012</u>
	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>Actual</u>
Revenues - investment income	\$ -	89	89	57
Excess of revenues over expenditures	-	89	89	57
Other financing sources (uses):				
Transfers from:				
General Fund	160,000	160,000	-	100,000
Electric Enterprise Fund	30,000	60,000	30,000	100,000
Transfers to Housing and Community Projects Special Revenue Fund	(50,000)	(50,000)	-	-
Net other financing sources (uses)	<u>140,000</u>	<u>170,000</u>	<u>30,000</u>	<u>200,000</u>
Net change in fund balance	\$ <u>140,000</u>	170,089	<u>30,089</u>	100,057
Beginning fund balance		<u>792,103</u>		<u>692,046</u>
Ending fund balance	\$	<u>962,192</u>		<u>792,103</u>

CITY OF KING COVE, ALASKA
Water and Sewer Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in
Deficit - Budget and Actual
Year Ended June 30, 2013
With Comparative Amounts for 2012

	2013			2012
	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>Actual</u>
Revenues:				
Water	\$ 60,000	62,973	2,973	37,380
Water - Peter Pan Seafoods	185,000	175,372	(9,628)	158,939
Sewer	38,000	37,421	(579)	31,269
Sewer - Peter Pan Seafoods	24,000	24,000	-	24,000
State PERS relief	-	6,416	6,416	4,940
State energy assistance grant	25,000	21,879	(3,121)	25,299
Finance charges	100	100	-	58
Total revenues	<u>332,100</u>	<u>328,161</u>	<u>(3,939)</u>	<u>281,885</u>
Expenditures:				
Water:				
Salaries	25,000	26,204	(1,204)	24,562
Employee benefits	12,000	15,046	(3,046)	13,360
Travel and per diem	1,500	1,423	77	1,189
Telephone	3,500	3,502	(2)	3,461
Supplies	15,000	13,754	1,246	24,151
Utilities - electric	135,000	135,969	(969)	121,404
Utilities - heat	7,500	7,596	(96)	8,987
Rent	2,700	2,654	46	2,596
Dues and fees	1,000	474	526	601
Insurance	3,918	3,918	-	3,703
Fuel - gas	5,000	5,230	(230)	6,512
Fuel - diesel	-	-	-	127
Test fees	4,500	4,559	(59)	1,943
Miscellaneous expense	900	860	40	860
Deferred compensation	750	404	346	405
Total water	<u>218,268</u>	<u>221,593</u>	<u>(3,325)</u>	<u>213,861</u>

CITY OF KING COVE, ALASKA
Water and Sewer Special Revenue Fund
Statement of Revenues, Expenditures and Changes in
Deficit - Budget and Actual, continued

	<u>2013</u>			<u>2012</u>
	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>Actual</u>
Expenditures:				
Sewer:				
Salaries	\$ 32,000	31,327	673	28,189
Employee benefits	13,950	17,513	(3,563)	15,844
Supplies	5,000	8,021	(3,021)	6,932
Utilities - electric	5,500	5,500	-	5,684
Fuel - diesel	950	925	25	919
Equipment	5,000	-	5,000	-
Deferred compensation	500	404	96	411
Total sewer	<u>62,900</u>	<u>63,690</u>	<u>(790)</u>	<u>57,979</u>
Debt service:				
Principal	52,080	40,464	11,616	34,788
Interest	59,720	52,511	7,209	58,412
Total debt service	<u>111,800</u>	<u>92,975</u>	<u>18,825</u>	<u>93,200</u>
Total expenditures	<u>392,968</u>	<u>378,258</u>	<u>14,710</u>	<u>365,040</u>
Excess of revenues over (under) expenditures	(60,868)	(50,097)	10,771	(83,155)
Other financing sources - transfers from General Fund	<u>20,000</u>	<u>20,000</u>	<u>-</u>	<u>20,000</u>
Net change in deficit	\$ <u>(40,868)</u>	(30,097)	<u>10,771</u>	(63,155)
Beginning deficit		<u>(339,050)</u>		<u>(275,895)</u>
Ending deficit	\$	<u>(369,147)</u>		<u>(339,050)</u>

CITY OF KING COVE, ALASKA

General Capital Projects Fund

Statement of Revenues, Expenditures and Changes
in Fund Balance

Year Ended June 30, 2013

With Comparative Amounts for 2012

	<u>2013</u>	<u>2012</u>
Revenues:		
Intergovernmental	\$ 8,130	6,882
Other	<u>143,750</u>	<u>120,863</u>
Total revenues	<u>151,880</u>	<u>127,745</u>
Expenditures:		
Planning and engineering	395	29,900
Boardwalk restoration	4,338	-
City street project	-	1,565
Izembeck access project	240,389	58,006
Other	17,805	5,773
Delta Creek water system	-	80,426
Waterfall Creek hydro	31,352	28,876
Water rate study	4,849	6,334
Landfill upgrade	73,659	16,050
Harbor warehouse upgrades	<u>3,050</u>	<u>628</u>
Total expenditures	<u>375,837</u>	<u>227,558</u>
Excess of revenues over (under) expenditures	(223,957)	(99,813)
Other financing sources (uses):		
Transfers from General Fund	75,000	175,000
Transfers to:		
Public Safety Building - Energy Upgrades Special Revenue Fund	-	(9,848)
Water Pipe Capital Project Fund	<u>-</u>	<u>(19,675)</u>
Net other financing sources (uses)	<u>75,000</u>	<u>145,477</u>
Net change in fund balance	(148,957)	45,664
Beginning fund balance	<u>299,041</u>	<u>253,377</u>
Ending fund balance	\$ <u>150,084</u>	<u>299,041</u>

CITY OF KING COVE, ALASKA
Vehicle and Machinery Replacement Capital Project Fund
Statement of Revenues, Expenditures and Changes
in Fund Balance
Year Ended June 30, 2013
With Comparative Amounts for 2012

	<u>2013</u>	<u>2012</u>
Revenues	\$ -	-
Expenditures - equipment	<u>145,989</u>	<u>80,338</u>
Excess of revenues over (under) expenditures	(145,989)	(80,338)
Other financing sources:		
Proceeds from issuance of debt	46,342	-
Transfers from:		
Housing and Community Projects	-	100,000
Special Revenue Fund	<u>125,000</u>	<u>-</u>
General Fund	<u>171,342</u>	<u>100,000</u>
Total other financing sources	25,353	19,662
Net change in fund balance	<u>150,952</u>	<u>131,290</u>
Beginning fund balance	<u>176,305</u>	<u>150,952</u>
Ending fund balance	\$ <u><u>176,305</u></u>	<u><u>150,952</u></u>

CITY OF KING COVE, ALASKA

Electric Enterprise Fund

Statement of Net Position

June 30, 2013

With Comparative Amounts for 2012

	<u>Assets</u>	<u>2013</u>	<u>2012</u>
Current assets:			
Receivables:			
Accounts	\$	101,392	217,108
Allowance for doubtful accounts		(14,000)	(14,000)
Total current assets		<u>87,392</u>	<u>203,108</u>
Property, plant and equipment:			
Land		48,372	48,372
Infrastructure		3,955,382	3,955,382
Improvements		723,045	723,045
Buildings		2,203,494	2,203,494
Equipment		<u>4,907,717</u>	<u>4,907,717</u>
Total property, plant and equipment		11,838,010	11,838,010
Less accumulated depreciation		<u>(5,256,374)</u>	<u>(4,951,920)</u>
Net property, plant and equipment		<u>6,581,636</u>	<u>6,886,090</u>
Total assets	\$	<u>6,669,028</u>	<u>7,089,198</u>
<u>Liabilities and Net Position</u>			
Liabilities:			
Current liabilities:			
Accounts payable		11,434	17,504
Accrued payroll and related liabilities		9,087	8,624
Accrued interest payable		3,271	5,612
Unearned revenue		3,570	2,655
Accrued leave		6,666	6,539
Current portion of revenue bonds		<u>100,765</u>	<u>95,398</u>
Total current liabilities		134,793	129,793
Long-term debt, net of current portion:			
Advance from other funds		454,085	562,042
Revenue bonds		<u>734,124</u>	<u>835,753</u>
Total liabilities		<u>1,323,002</u>	<u>1,534,127</u>
Net position:			
Net investment in capital assets		5,746,747	5,954,939
Deficit		<u>(400,721)</u>	<u>(399,868)</u>
Total net position		<u>5,346,026</u>	<u>5,555,071</u>
Total liabilities and net position	\$	<u>6,669,028</u>	<u>7,089,198</u>

CITY OF KING COVE, ALASKA

Electric Enterprise Fund

Statement of Revenues, Expenses and Changes in Net Position

Year Ended June 30, 2013

With Comparative Amounts for 2012

	<u>2013</u>	<u>2012</u>
Operating revenues - charges for services:		
Electric revenue	\$ 679,682	653,193
City owned electric	353,698	366,234
Harbor electric	136,640	180,120
Finance charges	398	316
Other	138,064	135,026
Total operating revenues	<u>1,308,482</u>	<u>1,334,889</u>
Operating expenses:		
Salaries	163,180	152,439
Employee benefits	82,726	77,713
Travel and training	1,023	2,929
Telephone	9,506	9,380
Supplies	71,087	72,174
Dues and fees	39	588
Insurance	16,977	16,045
Power plant electric	33,174	35,165
Fuel - power plant	684,159	555,104
Fuel - vehicles	12,497	10,825
Bad debt expense	2,362	-
Miscellaneous expense	868	-
Depreciation	304,454	330,687
Total operating expenses	<u>1,382,052</u>	<u>1,263,049</u>
Income (loss) from operations	(73,570)	71,840
Nonoperating revenues (expenses):		
Interest expense	(47,554)	(55,711)
Senior power subsidy	(44,134)	(51,202)
State PERS relief	16,213	13,000
Net nonoperating revenues (expenses)	<u>(75,475)</u>	<u>(93,913)</u>
Loss before transfers	(149,045)	(22,073)
Transfers to Permanent fund	<u>(60,000)</u>	<u>-</u>
Change in net position	(209,045)	(22,073)
Beginning net position	<u>5,555,071</u>	<u>5,577,144</u>
Ending net position	\$ <u>5,346,026</u>	<u>5,555,071</u>

CITY OF KING COVE, ALASKA

Electric Enterprise Fund

Statement of Cash Flows

Year Ended June 30, 2013

With Comparative Amounts for 2012

	<u>2013</u>	<u>2012</u>
Cash flows from operating activities:		
Receipts from customers and users	\$ 1,425,113	1,210,141
Payments to suppliers	(837,762)	(705,005)
Payments to employees	<u>(229,103)</u>	<u>(215,705)</u>
Net cash flows from operating activities	<u>358,248</u>	<u>289,431</u>
Cash flows from noncapital financing activities:		
Senior power subsidy	(44,134)	(51,202)
Decrease in due to other funds	-	(576,279)
Increase (decrease) in advance from other funds	(107,957)	562,042
Transfers to other funds	<u>(60,000)</u>	<u>-</u>
Net cash flows from noncapital financing activities	<u>(212,091)</u>	<u>(65,439)</u>
Cash flows from capital and related financing activities:		
Purchase of capital assets	-	(6,000)
Principal payments on long-term debt	(96,262)	(132,969)
Interest payments on long-term debt	<u>(49,895)</u>	<u>(85,023)</u>
Net cash flows from capital and related financing activities	<u>(146,157)</u>	<u>(223,992)</u>
Net increase in cash and investments	-	-
Beginning cash and investments	<u>-</u>	<u>-</u>
Ending cash and investments	\$ <u><u>-</u></u>	<u><u>-</u></u>
Reconciliation of income (loss) from operations to net cash provided (used) by operating activities:		
Income (loss) from operations	(73,570)	71,840
Adjustments to reconcile income (loss) from operations to net cash flows from operating activities:		
Depreciation	304,454	330,687
Noncash expense - PERS relief	16,213	13,000
(Increase) decrease in assets:		
Accounts receivable (net)	115,716	(125,590)
Increase (decrease) in liabilities:		
Accounts payable	(6,070)	(2,795)
Accrued payroll and related liabilities	463	74
Unearned revenue	915	842
Accrued leave	<u>127</u>	<u>1,373</u>
Net cash flows from operating activities	\$ <u><u>358,248</u></u>	<u><u>289,431</u></u>

CITY OF KING COVE, ALASKA

Harbor and Port Enterprise Fund

Statement of Net Position

June 30, 2013

	<u>Assets</u>	<u>2013</u>	<u>2012</u>
Current assets:			
Receivables:			
Accounts	\$	123,306	118,981
Allowance for doubtful accounts		(20,400)	(20,400)
Total current assets		<u>102,906</u>	<u>98,581</u>
Restricted cash - bond reserves		108,475	108,433
Bond issuance costs		-	3,637
Property, plant and equipment:			
Construction in progress - Harbor Bulkhead		15,173	13,133
Infrastructure		21,720,359	21,720,359
Buildings		355,860	355,860
Equipment		<u>907,482</u>	<u>907,482</u>
Total property, plant and equipment		22,998,874	22,996,834
Less accumulated depreciation		<u>(6,178,249)</u>	<u>(5,694,877)</u>
Net property, plant and equipment		<u>16,820,625</u>	<u>17,301,957</u>
Total assets	\$	<u>17,032,006</u>	<u>17,512,608</u>
	<u>Liabilities and Net Position</u>		
Current liabilities:			
Accounts payable		3,542	3,935
Accrued payroll and related liabilities		9,842	10,465
Accrued interest payable		17,661	15,739
Accrued leave		7,938	4,462
Current portion of revenue bonds		<u>50,000</u>	<u>50,000</u>
Total current liabilities		88,983	84,601
Long-term debt, net of current portion:			
Advance from other funds		356,025	320,964
Revenue bonds		1,100,000	1,150,000
Unamortized bond premium		<u>20,428</u>	<u>21,563</u>
Total liabilities		<u>1,565,436</u>	<u>1,577,128</u>
Net position:			
Net investment in capital assets		15,650,197	16,080,394
Deficit		<u>(183,627)</u>	<u>(144,914)</u>
Total net position		<u>15,466,570</u>	<u>15,935,480</u>
Total liabilities and net position	\$	<u>17,032,006</u>	<u>17,512,608</u>

CITY OF KING COVE, ALASKA

Harbor and Port Enterprise Fund

Statement of Revenues, Expenses and Changes in Net Position
Year Ended June 30, 2013

	<u>2013</u>	<u>2012</u>
Operating revenues:		
Moorage	\$ 170,880	178,022
Pot storage	3,688	28,416
Haulout	57,574	60,769
Wharfage	55,207	37,654
Harbor electric	4,226	5,571
State ferry	11,000	12,500
Space rent	26,078	2,549
Lockers	22,810	27,080
Skiff storage	2,888	3,158
Warehouse loft usage	776	2,045
Forklift	30,650	34,993
Other	2,187	20,558
Harbor fuel inbound	1,392	4,985
Finance charges	3,800	4,154
Total revenues	<u>393,156</u>	<u>422,454</u>
Operating costs:		
Harbor:		
Salaries	176,179	198,013
Employee benefits	87,152	117,164
Contract labor	-	2,448
Travel and per diem	3,141	6,286
Telephone	3,229	3,147
Supplies	53,454	47,572
Utilities - heat	9,338	10,346
Utilities - electric	25,492	38,939
Dues and fees	2,220	1,228
Insurance	36,728	31,482
Fuel - gas	5,134	6,268
Fuel - diesel	6,005	5,913
Deferred compensation	-	1,800
Depreciation	483,372	483,372
Total harbor	<u>891,444</u>	<u>953,978</u>

CITY OF KING COVE, ALASKA
Harbor and Port Enterprise Fund
Statement of Revenues, Expenses and Changes in
Net Position, continued

Expenditures, continued:	<u>2013</u>	<u>2012</u>
Port:		
Salaries	\$ 14,573	19,890
Employee benefits	7,760	11,091
Insurance	5,224	4,937
Miscellaneous	-	200
Total port	<u>27,557</u>	<u>36,118</u>
 Total operating costs	 <u>919,001</u>	 <u>990,096</u>
 Loss from operations	 (525,845)	 (567,642)
Nonoperating revenues (expenses):		
Interest expense	(60,229)	(56,062)
Sales tax	2,695	4,231
Interest rate subsidy	18,266	29,050
State PERS relief	<u>18,703</u>	<u>21,743</u>
Net nonoperating revenues (expenses)	<u>(20,565)</u>	<u>(1,038)</u>
 Loss before transfers	 (546,410)	 (568,680)
Transfers from (to) other funds:		
General Fund	87,500	82,000
Solid Waste Special Revenue Fund	<u>(10,000)</u>	<u>(10,000)</u>
 Change in net position	 (468,910)	 (496,680)
 Beginning net position	 <u>15,935,480</u>	 <u>16,432,160</u>
 Ending net position	 <u>\$ 15,466,570</u>	 <u>15,935,480</u>

CITY OF KING COVE, ALASKA

Harbor and Port Enterprise Fund

Statement of Cash Flows

Year Ended June 30, 2013

	<u>2013</u>	<u>2012</u>
Cash flows from operating activities:		
Receipts from customers	\$ 391,526	421,349
Payments to suppliers	(150,358)	(166,354)
Payments to employees	(264,108)	(340,288)
Net cash flows from operating activities	<u>(22,940)</u>	<u>(85,293)</u>
Cash flows from noncapital financing activities:		
Decrease in due to other funds	-	(551,661)
Increase in advance from other funds	35,061	320,964
Interest rate subsidy	18,266	29,050
Transfers to other funds	(10,000)	(10,000)
Net cash flows from noncapital financing activities	<u>43,327</u>	<u>(211,647)</u>
Cash flows from capital and related financing activities:		
Purchase of capital assets	(2,040)	(13,133)
Principal payments on long-term debt	(50,000)	(45,000)
Interest payments on long-term debt	(55,805)	(56,754)
Capital contributions received	-	329,856
Transfers from other funds	87,500	82,000
Net cash flows from capital and related financing activities	<u>(20,345)</u>	<u>296,969</u>
Net increase in cash and investments	42	29
Beginning cash and investments	<u>108,433</u>	<u>108,404</u>
Ending cash and investments	\$ <u>108,475</u>	<u>108,433</u>
Reconciliation of loss from operations to net cash provided (used) by operating activities:		
Loss from operations	(525,845)	(567,642)
Adjustments to reconcile loss from operations to net cash flows from operating activities:		
Depreciation	483,372	483,372
Noncash expense - PERS relief	18,703	21,743
Sales tax revenue	2,695	4,231
(Increase) decrease in assets - accounts receivable (net)	(4,325)	(5,336)
Increase (decrease) in liabilities:		
Accounts payable	(393)	(5,788)
Accrued payroll and related liabilities	(623)	(1,185)
Accrued leave	3,476	(14,688)
Net cash flows from operating activities	\$ <u>(22,940)</u>	<u>(85,293)</u>

CITY OF KING COVE, ALASKA
City Fuel Enterprise Fund
Statement of Net Position
June 30, 2013
With Comparative Amounts for 2012

	<u>2013</u>	<u>2012</u>
<u>Assets</u>		
Current assets - fuel inventory	\$ 116,388	409,193
Property, plant and equipment - fuel tanks	871,489	871,489
Less accumulated depreciation	<u>(217,870)</u>	<u>(174,296)</u>
Net property, plant and equipment	<u>653,619</u>	<u>697,193</u>
Total assets	\$ <u>770,007</u>	<u>1,106,386</u>
<u>Liabilities and Net Position</u>		
Current liabilities:		
Accounts payable	107	712
Accrued payroll and related liabilities	<u>1,110</u>	<u>2,389</u>
Total current liabilities	<u>1,217</u>	<u>3,101</u>
Noncurrent liabilities - advance from other funds	<u>222,131</u>	<u>428,164</u>
Total current liabilities	<u>223,348</u>	<u>431,265</u>
Net position:		
Net investment in capital assets	653,619	697,193
Unrestricted (deficit)	<u>(106,960)</u>	<u>(22,072)</u>
Total net position	<u>546,659</u>	<u>675,121</u>
Total liabilities and net position	\$ <u>770,007</u>	<u>1,106,386</u>

CITY OF KING COVE, ALASKA

City Fuel Enterprise Fund

Statement of Revenues, Expenses and Changes in Net Position

Year Ended June 30, 2013

With Comparative Amounts for 2012

	<u>2013</u>	<u>2012</u>
Operating revenues - fuel sales	\$ <u>918,029</u>	<u>979,270</u>
Operating expenses:		
Salaries and benefits	36,529	38,972
Supplies	4,240	8,240
Fuel	965,030	1,057,216
Depreciation	<u>43,574</u>	<u>43,574</u>
Total operating expenses	<u>1,049,373</u>	<u>1,148,002</u>
Loss from operations	(131,344)	(168,732)
Nonoperating revenues - State PERS relief	<u>2,882</u>	<u>2,513</u>
Change in net position	(128,462)	(166,219)
Beginning net position	<u>675,121</u>	<u>841,340</u>
Ending net position	\$ <u><u>546,659</u></u>	<u><u>675,121</u></u>

CITY OF KING COVE, ALASKA
City Fuel Enterprise Fund
Statement of Cash Flows
Year Ended June 30, 2013
With Comparative Amounts for 2012

	<u>2013</u>	<u>2012</u>
Cash flows from operating activities:		
Receipts from customers	\$ 918,029	1,016,270
Payments to suppliers	(677,070)	(1,127,560)
Payments to employees	<u>(34,926)</u>	<u>(35,286)</u>
Net cash flows from operating activities	<u>206,033</u>	<u>(146,576)</u>
Cash flows from noncapital financing activities -		
Increase (decrease) in due to other funds	-	(281,588)
Increase (decrease) in advance from other funds	<u>(206,033)</u>	<u>428,164</u>
Net cash flows from operating activities	<u>(206,033)</u>	<u>146,576</u>
Net increase in cash and investments	-	-
Beginning cash and investments	<u>-</u>	<u>-</u>
Ending cash and investments	\$ <u>-</u>	<u>-</u>
Reconciliation of loss from operations to net cash provided (used) by operating activities:		
Loss from operations	(131,344)	(168,732)
Adjustments to reconcile loss from operations to net cash flows from operating activities:		
Depreciation	43,574	43,574
Noncash expense - PERS relief	2,882	2,513
(Increase) decrease in assets:		
Accounts receivable	-	37,000
Fuel inventory	292,805	195,980
Increase (decrease) in liabilities:		
Accounts payable	(605)	(258,084)
Accrued payroll and related liabilities	<u>(1,279)</u>	<u>1,173</u>
Net cash flows from operating activities	\$ <u>206,033</u>	<u>(146,576)</u>